

John Micklethwait & Adrian Wooldridge,
The Fourth Revolution: The Global Race to Reinvent the State

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John Micklethwait & Adrian Wooldridge, *The Fourth Revolution: The Global Race to Reinvent the State* (New York: Penguin Press, 2014)

A revolution is about to shake the world – that is what John Micklethwait and Adrian Wooldridge think. The first is the editor-in-chief of *The Economist* and the second that magazine’s management editor. In their latest book *The Fourth Revolution: The Global Race to Reinvent the State*, Micklethwait and Wooldridge argue that the Western democracies are on the verge of a revolution that will usher in new, yet more classically liberal, kind of state. In so doing, they tell an illuminating, if incomplete, tale of the stages that the modern state

has gone through in arriving at its current precipice. But they do not go far enough in taking full advantage of the opportunity presented by the prospect of regime change to press the case for a market society.

As the title of the book indicates, the revolution that we are to expect will be the fourth. That begs the question of what were the first three. Devoting the opening third of their book to what actually turn out to be three and a half revolutions, Micklethwait and Wooldridge offer a brief history of Western government

from the Enlightenment era to the present. The first revolution came about with the creation of the nation-state, a feat intellectually engineered by Thomas Hobbes. Before the 17th century British philosopher appeared on the scene, the authority of the state in the Western world (i.e., Europe) was limited by the nobles ruling local territories along with the Church in Rome holding the keys to immortal life. In *Leviathan*, Hobbes delivered the arguments that would prove decisive in weakening these rival centers of power, basing the state's authority in a social contract embracing all individuals agreeing to give up their natural freedom to do as they please in return for peace and security. With consent, rather than divine right or inheritance, now serving as the font of legitimacy, the modern state became what it continues to be to this day – that is, the sole body in society defining the ultimate terms under which everyone occupying a circumscribed territory is permitted to act. In the second revolution, presaged in the writings of John Locke and Adam Smith but carried through by John Stuart Mill, the state's duties came to include not simply the maintenance of security, but the protection of individual liberty as well. In the 19th century, when Mill lived, the British government repealed impediments to freedom of commerce such as the Corn Laws and the Navigation Acts, while reducing its own fiscal weight on society. Between 1818 and 1846, Micklethwait and Wooldridge tell us, tax revenues actually fell even though population rose by 50%. William Gladstone, who served as Britain's Prime Minister and Chancellor of the Exchequer, bragged about how he was, "saving candle-ends and cheese-parings in the cause of the country" (p. 52).

Yet the very same thinker that figured prominently in the second revolution ended up playing a key role in the movement towards the third. Earlier on in his intellectual odyssey, in his book *On Liberty*, Mill enunciated the principle that individual freedom should only be restricted when it entails harm to

others. By the end of his career, however, Mill was seriously contemplating socialist ideas. A cavalcade of other writers, influenced as well as by the German philosopher G.W.F. Hegel, echoed this shift in an ideological evolution cemented in the early 20th century by Beatrice Webb, whom Micklethwait and Wooldridge call the godmother of the contemporary welfare state. The fruit of the third revolution, this state claims to lend substance to the ideal of freedom by securing everyone at least the basic minimum of material resources to pursue their own conceptions of happiness. With the Great Depression and World War II buttressing the ascendant faith in big government, the Western developed nations all erected welfare states, of one extent or another, as public expenditures went from around 10% of GDP prior to World War I to representing, on average, almost half the size of the economy by 2011. In what Micklethwait and Wooldridge call the third and a half revolution, this time under the intellectual aegis of Milton Friedman, a concerted political effort was undertaken during the 1980's and 1990's to reduce the sway of government in economic life. But this only produced a respite in the state's growth.

The best part of this recounting of the past is the role that Micklethwait and Wooldridge attribute to ideas. While acknowledging the force of political and economic events, the authors do well in focusing on the ways that a select group of thinkers instigated social change by shaping people's world-views in their respective eras. Also valuable is their observation that the state more than withstood the free-market campaigns led by U.S. President Ronald Reagan and British Prime Minister Margaret Thatcher. Even now, one still hears the dubious assertion, from both the left and right of the political spectrum, that their legacy is that of a chastened state.

A patent defect in the book's historical sections, though, is that the totalitarian state is not included among the stages that modern

government took. Micklethwait and Wooldridge defend this by noting that the Marxist variant of totalitarianism was founded on a political philosophy that looked forward to the abolition of the state. They are right that Marx saw anarchy as the culminating phase of human progress, but his thought also included the concept of a transitional socialist government. Needless to say, such a state was installed for generations in numerous countries – and still is in a few places – to very deleterious effect. As for the fascist variant of totalitarianism, the authors seem to excise it from their evolutionary narrative on the grounds that it did not prove enduring. That is true, but fascism destroyed millions of lives during its time in power and the memory of those atrocities haunts our politics still. Micklethwait and Wooldridge present a history of government that is too narrowly Anglo-Saxon in its coverage.

They become less parochial in describing the contours that the state is likely to assume with the fourth revolution. Now how do we know this is coming at all? According to the authors, it is principally because the welfare states built by advanced Western nations are fiscally unsustainable. We have reached this pass precisely because those nations are democracies. Elected politicians have powerful incentives to offer the populace an extensive menu of benefits in order to win votes; they also have powerful incentives not to raise the tax revenue necessary to finance these benefits in order to avoid losing votes. As a result, democracies are genetically liable to profligacy, borrowing what taxes will not cover until the debt accumulates to levels that eventually cause the government's creditors to demur. And with public debt to GDP ratios either nearing or above 100% in many countries, Micklethwait and Wooldridge figure that we are almost at the end of that trajectory.

Given this sobering view of democracy, it is not surprising that they sympathetically consider the alternative constructed by Lee Kuan Yew in Singapore, a nation that Freedom House

politically ranks as merely “partly free”. Not having to cater to popular demands, Singapore has a lean state in which social programs are precisely targeted to the poor and vulnerable, rather than being showered on the middle classes as they are in the West, while at the same time ensuring that individuals do not become dependent on government largesse. The fatal flaw, however, of a more authoritarian system like Singapore is that it must heavily rely on the presence of a wise and virtuous leadership for it to work effectively. But that is rare to come by in this world. Micklethwait and Wooldridge are right about democracy's fiscal shortcomings. But that regime does at least have the advantage of economizing on wisdom and virtue, inasmuch as the self-interest of politicians will usually suffice to make them pay attention to the public will.

Consequently, matters look a bit more promising when Micklethwait and Wooldridge subsequently turn to the Nordic countries as a model for revolutionizing the state. To many, this will seem like a call to fortify the third revolution, in light of the still widespread perception of Sweden and Norway as beacons of the welfare state. But as the authors point out, both countries were compelled by an economic crisis in the early 1990's to retrench their governments, outsource the delivery of social services like health and education to the private sector, and free up their economies. Micklethwait and Wooldridge also cite the Nordic countries' adoption of information technologies to enhance the productivity of the public sector, drawing on this to predict that such efficiencies will come to characterize the state that will emerge out of the fourth revolution. Admittedly, it is nice that Sweden's government spending to GDP ratio has fallen by 18 percentage points over the past two decades – but it is still 49%. Governments need to slim down much more than that. No doubt, too, that information technology holds promise, but public officials have limited impetus to

exploit it, not being subject to market exigencies to generate profit. Political pressure of the sort imposed by an economic crisis can only go so far.

Beyond that, a tectonic shift in the climate of opinion will have to occur in order to maintain and channel the political will necessary to reduce the influence of government in society. Micklethwait and Wooldridge recognize this: “Modern politicians are like architects arguing about the condition of individual rooms in a crumbling house ... We need to look at the design of the whole structure” (p. 21). They advance a number of solid proposals, like doing away with the crony capitalism by which favored industries receive government subsidies. They also issue a compelling plea to bring the value of freedom back into the center of our politics, quoting the British historian Thomas Macaulay: “Our rulers will best promote the improvement of the people by confining themselves to their legitimate duties” (p. 225). Problem is, Micklethwait and Wooldridge define those duties to encompass not just the defense of people’s life and

property against domestic and foreign incursion; not just the financing of infrastructure projects for which the private sector cannot be expected to provide funding; but also the social insurance functions of the welfare state. When it comes to health care, for example, they insist that the government be the sole payer, whereas with state pensions their chief suggestion is to increase the retirement age. But even the most cursory examination of the government’s accounts will show that the social insurance role is what has primarily driven public expenditures upward. Micklethwait and Wooldridge ought to have given more thought to the myriad ways that civil society, as opposed to the state, could protect individuals from the risks associated with living in a dynamic market order.

The future is shrouded in mystery, to borrow a cliché, but this book furnishes a reasonable basis to believe that a politico-economic revolution might well be in the offing. But we should be hoping, not for a synthesis of the second and third revolutions, but instead for a restoration of the second.